

Message Text

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21

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

COME-00 XMB-02 FRB-03 /083 W

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R 102148Z FEB 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8790

C O N F I D E N T I A L OTTAWA 0559

E.O. 11652: GDS

TAGS: EAIR, MARR, MILI, CA, NATO

SUBJ: GOC OFFICIAL SUGGESTS LRPA PROCUREMENT

MAY BE IN DOUBT

1. ACCORDING TO D. R. ALLEN (DIRECTOR, AEROSPACE AND ARMAMENTS PRODUCTS CENTER, AND ACTING ASSISTANT DEPUTY MINISTER FOR SCIENCE AND ENGINEERING PROCUREMENT, DEPT OF SUPPLY AND SERVICES), GOC DECISION TO PURCHASE THE LOCKHEED LRPA MAY BE IN SERIOUS TROUBLE FOR FINANCIAL REASONS.

2. ALLEN CONFIDENTIALLY TOLD TCO FEB 10 THAT LOCKHEED IS UNABLE TO RAISE \$400 MILLION TO FINANCE PRODUCTION OF THE AIRCRAFT EVEN WITH A GOC GUARANTEE OF THE LOAN. THE U.S. CONSORTIUM WHICH HAS FINANCIAL CONTROL OF THE CORPORATION IS UNWILLING TO PERMIT AN EXTENSION OF THE LINE OF CREDIT TO COVER ITS INVESTMENTS IN SUPPORT OF THIS SALE. THE GOC FACED WITH ITS OWN FINANCIAL PROBLEMS IS LIKEWISE UNABLE TO PROVIDE THIS AMOUNT OF MONEY THROUGH A FURTHER EXPANSION OF THE CAPITAL BUDGET OF THE DEPT OF NATIONAL DEFENSE FOR THE NEXT THREE YEARS. THERE IS NO QUESTION THAT THE SUMS WOULD BE RECOUPED OVER A LONGER PERIOD AS THE AIRCRAFT WERE PRODUCED AND DELIVERED, BUT THE INABILITY OF EITHER THE
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U.S. LENDERS OR THE GOC TREASURY TO MEET THE SHORT-TERM

SITUATION IS CALLING INTO QUESTION THE ABILITY OF THE GOC TO ACTUALLY SIGN THE CONTRACT WITH LOCKHEED. ALLEN FURTHERMORE IMPLIED THAT HE WAS CONCERNED THAT THE WHOLE COMMITMENT OF THE GOC IN THIS AREA MIGHT HAVE TO BE SCRAPPED.

3. ALLEN CAUTIONED THAT THIS SITUATION HAS JUST COME TO LIGHT IN THE DEPARTMENT OF SUPPLY AND SERVICES. IT HAS BEEN DISCUSSED IN ONLY A LIMITED MANNER WITH DND AND OTHER DEPARTMENTS AND THE RESPONSIBLE MINISTERS HAVE NOT YET BEEN INFORMED OF THE SERIOUSNESS OF THE SITUATION. TCO ASSURED HIM THE INFORMATION WOULD BE HANDLED IN A PRIVILEGED MANNER.

4. COMMENT: THIS IS THE FIRST THE EMBASSY HAS HEARD OF THIS PROBLEM WHICH OBVIOUSLY MAY BE OF MAJOR CONCERN. EMBASSY, OF COURSE, CANNOT VOUCH FOR ACCURACY OF THE ABOVE BUT WOULD APPRECIATE ANY INFORMATION THE DEPARTMENT CAN SUPPLY AND GUIDANCE AS TO HOW WE SHOULD HANDLE THE MATTER. JOHNSON

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NNN

Message Attributes

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Copy: SINGLE
Draft Date: 10 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Executive Order: GS
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